

Impact of the policy framework designed in favor of Corporate Social Responsibility with respect to India in Current Scenario

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Abstract - In today's developing world, governments and businesses understand that their respective competitive positions and their accessibility to capital is directly proportional to their ability to match up the current highest global standards. It includes the guidance for companies pertaining to CSR which is available in the form of frameworks, focusing on the public health, education, livelihoods water conservation and natural resources management. Thus the government of India not only focus on the company's participation but also on their business practices by setting framework for them including both (public and private). Thus by analyzing thoroughly current trends of CSR in India and by practicing it in today's scenario can lead to the significant impact on the community and long term sustainability of business.

Keywords- Co responsibility; Policy Framework; Business & Society

1. INTRODUCTION

CSR which is a responsibility of enterprises for their impacts on society provides support to the practices followed by CSR in India. Government being aware of the national competitive advantages designed a policy framework for the benefit of implementing CSR where businesses are located. CSR in India focus on what is done with the profits after they are made. On the other hand, sustainability is about factoring the social and environmental impacts of conducting business, that is, how profits are made. Hence, much of the Indian practice of CSR is an important component of sustainability or responsible business which is a larger idea, a fact that is evident from various sustainability frameworks.

In last 5 years, the government of India has also enhanced its focus on persuading companies to participate in addressing social and developmental issues, not only as a part of their social responsibility but also as their business practices. There are some international organizations such as economic co-operation and development (OECD) established a set of guidelines for multinational enterprise in 1976, and thus a pioneer in developing the concept of CSR by following this trend. Indian labor organization (ILO), Global compact etc have formulated a policy framework focusing on the strategic CSR initiatives to contribute towards nation building, companies in India started focusing on the national priorities such as public health, education, livelihoods, water conservation and natural resources management etc.

As a result of these guidelines Indian government also form companies act 2013 under clause 135 and started

paying attention towards the CSR practices by following the given guidelines regarding the expenditure on CSR activities. It basically helps the companies in meeting up their social responsibility by contributing to the economic development while improving the quality of life of the workforce and their families as well as of the community and society at large.

2. OBJECTIVES

1. To critically examine the policy framework for CSR in India.
2. To analyze the contribution of Indian companies towards this framework and its impact in current scenario.

3. RESEARCH METHODOLOGY

This research paper is based on secondary data sourced from Journal, Magazines and books. The research Design employed for the study is descriptive research design. This research Design was adopted to have great accuracy and in depth analysis of the research study.

4. CSR IN INDIA

Corporate social responsibility was coined in 1953 with the publication of Bowen's social responsibility of Businessmen (corporate watch report 2006).

Corporate social responsibility (CSR) is a concept whereby companies join together environmental and social concerns into their business operations and in their interaction with their stakeholders on a voluntary basis. CSR describes the relationship between business and large society. Corporations have a large number of

responsibilities not only for the economic consequences of their activities but also for the social and environmental implications. This is sometimes referred to as a triple bottom line approach that considers the economic social and environmental aspects of corporate activities.

5. EVOLUTION OF CORPORATE SOCIAL RESPONSIBILITY IN INDIA

The evolution of Corporate Social Responsibility in India can be divided into four phases.

- First phase: CSR motivated by charity and philanthropy.
- Second phase: CSR for India's social development.
- Third phase: CSR under the paradigm of the "mixed economy".
- Fourth phase: CSR at the interface between philanthropic and business approaches.

In the last decades, CSR has rapidly evolved in India. CSR in India has traditionally been seen as a philanthropic activity its commitments and activities typically address aspects of a firm's behavior (including its policies and practices) with respect to such key elements as; health and safety, environmental protection, human rights, human resource management practices, corporate governance, community development, and consumer protection, labour protection, supplier relations, business ethics, and stakeholder rights. In India, CSR is known from ancient time as social duty or charity, which through different ages is changing its nature in broader aspect, now generally known as CSR. From the origin of business, which leads towards excess wealth, social and environmental issues have deep roots in the history of business. India has had a long tradition of corporate philanthropy, the spirit of active goodwill toward others as demonstrated in efforts to promote their welfare. The term is often used interchangeably with charity and industrial welfare has been put to practice since late 1800s. Historically, the philanthropy of business people in India has resembled western philanthropy in being rooted in religious belief. Business practices in the 1900s that could be termed socially responsible took different forms: philanthropic donations to charity, service to the community, enhancing employee welfare and promoting religious conduct. Corporations may give funds to charitable or educational institutions and may argue for them as great caring deeds, when in fact they are simply trying to buy community good will. The last decade of the twentieth century witnessed a swing away from charity and had a direct engagement of business for the development of disadvantaged groups in the society.

Currently there is an increased focus and a changing policy environment to enable sustainable practices and increased participation in the socially inclusive practices.

6. VEHICLES FOR INTRODUCING CSR

The concept of CSR is not new in the country but it is not mandatory for the companies. In 2008, a joint project between the Indian Institute of Corporate Affairs and the German technical agency and bilateral donor GIZ lead to the development of "an Indian concept" for CSR guidelines and reporting. The "National Voluntary Guidelines on Social, Environmental, and Economic Responsibilities of Business" were a result of these discussions. When Securities and Exchange Board of India (SEBI) ordered the 100 largest companies listed on the BSE and NSE to disclose their CSR activities along with the percentage of after-tax profits devoted to CSR, these guidelines change into rules. Passing of the Companies Bill by the Lok Sabha in 2012 gave CSR rules with a view to provide frame work for companies public and private for CSR activities ,the government of India has included CSR related provisions in the companies Bill2012 aims at motivating companies to spend 2% of the profit after tax(PAT) on CSR.

In India, the concept of CSR is governed by clause 135 of the Companies Act, 2013, which was passed by both Houses of the Parliament, and had received the consent of the President of India on 29 August 2013 Clause 135 of the Act lays down the guidelines to be followed by companies while developing their CSR program. The CSR committee will be responsible for preparing a detailed plan on CSR activities, including the expenditure, the type of activities, roles and responsibilities of various stakeholders and a monitoring mechanism for such activities. The CSR committee can also ensure that all the kinds of income accrued to the company by way of CSR activities should be credited back to the community There is a long list of permissible areas for CSR funding. They include such purposes as ending hunger and poverty; promoting public health; supporting education; addressing gender inequality; protecting the environment; and funding cultural initiatives and the arts. All CSR funds must be spent in India. The New Act encourages companies to spend their CSR funds in the areas where they operate, but money cannot be spent on activities undertaken that are part of the normal course of the company's business or on projects for the exclusive benefit of employees or their family members.

Contributions of any amount to a political party are not a permitted CSR activity. However, the New Act has an exception allowing companies to use their CSR funds to support development projects initiated by the prime minister or central government.

Act requires companies to prepare a complete report, in a particular format, about the company's CSR policy, the composition of the CSR committee, the amount CSR expenditures, and the specifics of individual CSR projects. A company's board must include this report in its

annual report to shareholders and publish it on the company's website.

The report include a declaration from the CSR committee that the implementation and monitoring of the board's CSR activities is, in letter and strength, in fulfillment with its CSR objectives and CSR Policy of the company.

If the minimum CSR amount is not spent, the board is required to disclose this fact, with reasons therefore, in its annual Director's Report to the shareholders.

It is still not clear whether failure to comply is an legal offense of any sort. Thus, the new Act may be the advent

of a new regime in Indian corporation law of the concept of "comply or explain." What is clear, however, is that failure to explain non-compliance is a punishable offence under the New Act. It is therefore likely that any company that fails to comply with its CSR obligations will be subject to investigation by the Indian authorities.

The clause 135 will be applicable to all companies that have either of the following:

- Net worth of INR 500 crore or more
- Turnover of INR 1000 crore or more
- Net profit of INR 5 crore or more

Board level CSR committee	Responsibilities of the CSR committee	Annual spending on CSR by companies	Responsibilities of the company,s Board
<ul style="list-style-type: none"> •Comprising of 3or more directors with at least one independent director. •Composition to be disclosed in the annual board of director report 	<ul style="list-style-type: none"> •Formulate and recommend a CSR policy and amount of Csr expenditure •Regular monitoring of the CSR initiatives 	<ul style="list-style-type: none"> •Every financial year at least 2% of the average net profits made during the 3 preceding financial years •Schedule VII indicates activitiesthat can be undertaken by a company 	<ul style="list-style-type: none"> •Approve and Disclose CSR policy in the annual Director's REport and on company Website •Ensure implementation of CSR activities as per the policy •Director's Report to Specify reasons in case the spcified amount is not spent

Fig 1: CSR Concept for Companies

The pinpointing Activities which can be undertaken by a company under CSR have been specified under schedule(VII) of the Act are as follows:-

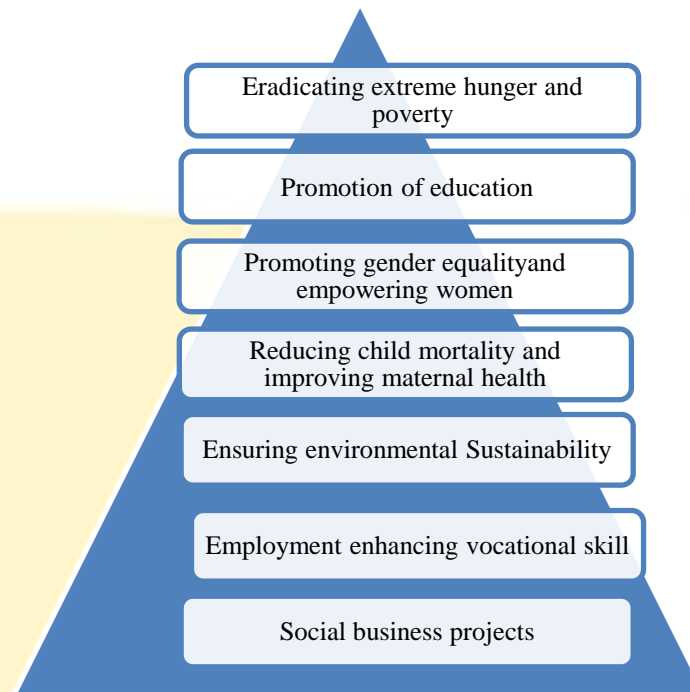


Fig 2: Company's Activities under CSR

7. CONTRIBUTION OF INDIAN COMPANIES TOWARDS COMPANIES' ACT 2013 AND ITS IMPACT IN CURRENT SCENARIO

The corporate belief that a company needs to be responsible for its actions: socially, environmentally and ethically. In the year 2003 corporate responsibility for environmental protection (CREP) was introduced by the Indian government as guidelines for 17 polluting industrial sectors. Some CSR standards and guidelines also set internationally these CSR standards include ILO Tripartite Declaration of Principles Concerning Multinational Enterprises and Social Policy, OECD Guidelines for Multinational Enterprises, UN Global Compact and The Universal Declaration of Human Rights. After introduction of Companies Act 2013 scene of CSR in India changed. According to the Indian Institute of Corporate Affairs, 1.3 million companies in India, about 6,000-7,000 companies are covered under the new CSR rule. According to this rule 2% of the net profits of a qualifying company use for CSR initiatives Proper systems for fund management and fund allocation would be required to be developed in order to ensure compliance with the 2 percent rule. Big corporate like Reliance Industries, Tata Group, Aditya Birla Group, The Coca Cola Company, and Indian Oil Corporation are involved in serving the community. These corporates are fulfilling their responsibilities towards the society. Many other organizations have been doing their part for the society

through donations and charity events. Today, CSR in India has gone beyond merely charity and donations, and is approached in a more organized fashion. It has become an integral part of the corporate strategy. Companies have CSR teams that devise specific policies, strategies and goals for their CSR programs and set aside budgets to support them. Employees become the backbone of these initiatives and volunteer their time and contribute their skills, to implement them. CSR Programs could range from overall development of a community to supporting specific causes like education, environment, healthcare etc.

On August 8 2013, by passing the Companies Act 2013 along with Clause 135, India fulfill its dream of converting billions of cash reserves available with the companies into development of society. The new regulation would mean that the top 100 companies by annual net sales in 2012 will spend Rs.5,611 crore on CSR activities, compared with the Rs.1,765 crore that they are which need attention on priority basis.

The CSR activities of 50 companies from the S&P BSE Top 100 Index⁹ were analyzed in order to identify the trends of CSR activities in India as represented by those companies that are a part of the index. The criteria chosen to undertake the research have been categorized broadly into — Design, Deliver and Disclose. The Design category focuses on understanding the partnership preference and the implementation mechanism for CSR Activities. The Deliver category aims to identify the thematic areas that best describe the company's activities

and their geographic focus. The Disclose category provides an insight on how companies are disclosing their CSR activities and sharing their learning with the public. From 2013 - 2014 many consulting firms ,educational institutions, and established NGOs had conducted several training programs, seminars & workshops in a high profiled environment These programs are broad, repetition and far from the basic requirement of Indian CSR.

8. CONCLUSION

CSR is giving back to society. After introducing Clause 135 by the Companies Act 2013 would go a long way in expansion of the social initiatives taken by the companies. Small involvement of corporate could lead to the Socio economic development. Apart from boosting transparency and accountability, it would also open up the opportunity for Corporate Social Responsibility in true Way. After visualizing development of Society on the name of CSR is basically not criticized rather it is appreciated. Now a day's small and medium enterprises also show their contribution towards India's Economic growth by generating employment and industrialize the rural and backward regions of India. But there are numbers of steps are necessary to be taken to sort out issues of penalties in the event of non disclosure, scope of Schedule VII, internal controls etc. If act gets followed in true way, India can succeed in its social responsibility in an efficient manner it and will give new face to the Society.

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